

# HMO ACTUARIAL RATE CERTIFICATION

(FY2007 Appropriation Bill - Public Act 330 of 2006)

## Upon Receipt of Certification

**Section 1764:** The department will annually certify rates paid to Medicaid health plans as being actuarially sound in accordance with federal requirements and will provide a copy of the rate certification and approval immediately to the house of representatives and senate appropriations subcommittees on community health and the house and senate fiscal agencies.

*Michigan Department  
of Community Health*



Jennifer M. Granholm, Governor  
Janet Olszewski, Director

September 21, 2006

Susan Moran, Acting Director  
Medical Services Administration  
Michigan Department of Community Health  
400 South Pine Street  
P.O. Box 30479  
Lansing, Michigan 48909-7979

Dear Ms. Moran:

This is in response to the State's submission of the managed care contract amendment and capitated rates for the Section 1915(b) Comprehensive Health Care Program Waiver.

The State's contracts with the following 15 Medicaid health plans (MHP) to provide comprehensive medical services to Medicaid beneficiaries are effective October 1, 2004 through September 30, 2007:

Cape Health Plan  
Community Choice of Michigan  
Great Lakes Health Plan, Inc.  
Health Plan of Michigan, Inc.  
HealthPlus Partners, Inc.  
M-CAID  
McLaren Health Plan  
Midwest Health Plan

Molina Healthcare of Michigan  
OmniCare Health Plan, Inc.  
PHP-MM Family Care  
Priority Health Government Programs, Inc.  
ProCare  
Total Health Care  
Upper Peninsula Health Plan

This contract amendment extends the term of the contract and clarifies the contract regarding changes in Medicaid policy, but does not implement new programs.

We have reviewed the contract amendment and rates and found they meet the applicable Federal contracting requirements set forth at 42 CFR 438. The approval of the contract amendment is contingent upon receipt of the signature pages from each of the 15 MHPs.

If you have any questions related to this approval, please contact Claudia Simonson of my staff at (312) 353-2115.

Sincerely,

/s/

Ruth A. Hughes  
Acting Associate Regional Administrator  
Division of Medicaid and Children's Health

cc: Nancy Bishop, MDCH  
Cheryl Bupp, MDCH



**STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
Capitation Rates Effective October 1, 2006 through September 30, 2007**

**Actuarial Certification**

I, Robert M. Damler, am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I was retained by the State of Michigan, Department of Community Health to perform an actuarial review and certification regarding the development of the capitation rates to be effective for state fiscal year 2007. The capitation rates developed for state fiscal year 2007 were developed as a rate update to the current capitation rates to reflect trend and policy and program changes. I have experience in the examination of financial calculations for Medicaid programs and meet the qualification standards for rendering this opinion.

I reviewed the historical claims experience for reasonableness and consistency. I have developed certain actuarial assumptions and actuarial methodologies regarding the projection of healthcare expenditures into future periods. I have complied with the elements of the rate setting checklist CMS developed for its Regional Offices regarding 42 CFR 438.6(c) for capitated Medicaid managed care plans.

The capitation rates provided with this certification are effective for the one-year rating period beginning October 1, 2006, through September 30, 2007.

The capitation rates provided with this certification are considered actuarially sound, under the following definition:

- the capitation rates have been developed in accordance with generally accepted actuarial principles and practices;
- the capitation rates are appropriate for the populations to be covered, and the services to be furnished under the contract; and,
- the capitation rates meet the requirements of 42 CFR 438.6(c).

This Opinion is intended for the State of Michigan and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial projections of the type in this Opinion, so as to properly interpret the projection results. It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted health plan's situation and experience.



This actuarial certification has been based on the actuarial methods, considerations, and analyses promulgated from time to time through the Actuarial Standards of Practice by the Actuarial Standards Board.

  
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Robert M. Danler, FSA  
Member, American Academy of Actuaries

August 30, 2006 \_\_\_\_\_

Date

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